

TOWN OF MASHPEE, MASSACHUSETTS

**REPORTS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING, COMPLIANCE AND
FEDERAL AWARD PROGRAMS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Board of Selectmen
Town of Mashpee, Massachusetts

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mashpee, Massachusetts, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Town of Mashpee, Massachusetts' basic financial statements and have issued our report thereon dated April 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Mashpee, Massachusetts' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Mashpee, Massachusetts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Mashpee, Massachusetts' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Mashpee, Massachusetts' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Mashpee, Massachusetts' financial statements that is more than inconsequential will not be prevented or detected by the Town of Mashpee, Massachusetts' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Mashpee, Massachusetts' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Mashpee, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Town of Mashpee, Massachusetts, in a separate letter dated April 14, 2010.

This report is intended solely for the information and use of the Audit Committee, Board of Selectmen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



April 14, 2010



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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Board of Selectmen
Town of Mashpee, Massachusetts

Compliance

We have audited the compliance of the Town of Mashpee, Massachusetts with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009. The Town of Mashpee, Massachusetts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Mashpee, Massachusetts' management. Our responsibility is to express an opinion on the Town of Mashpee, Massachusetts' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Mashpee, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Mashpee, Massachusetts' compliance with those requirements.

In our opinion, the Town of Mashpee, Massachusetts complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009. However, the results of our auditing procedures disclosed three instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-2, 09-3 and 09-4.

Internal Control Over Compliance

The management of the Town of Mashpee, Massachusetts is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Mashpee, Massachusetts' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Mashpee, Massachusetts' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mashpee, Massachusetts, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Town of Mashpee, Massachusetts' basic financial statements and have issued our report thereon dated April 14, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Town of Mashpee, Massachusetts' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town of Mashpee, Massachusetts' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Mashpee, Massachusetts' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Audit Committee, Board of Selectmen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sullivan, Fry & Green LLC

April 14, 2010

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
<u>Passed through State Department of Elementary & Secondary Education:</u>			
Food Distribution Program	10.550	01-172	\$ 24,137
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	01-172	15,051
National School Lunch Program	10.555	01-172	<u>129,886</u>
Total U.S. Department of Agriculture			<u>169,074</u>
U.S. Department of the Air Force			
<u>Direct Program:</u>			
Wetlands Feasibility Study Grant	12.unk	Not Applicable	<u>266</u>
U.S. Department of the Interior			
<u>Passed through the Massachusetts Division of Marine Fisheries:</u>			
Clean Vessel Act	15.616	CT FWE 042707-3622	<u>1,960</u>
U.S. Department of Justice			
<u>Passed through the State Executive Office of Public Safety:</u>			
Violence Against Women Formula Grants (fiscal year 2008)	16.588	SCEPS3001VAWA08MASHP	<u>5,668</u>
U.S. Department of Education			
<u>Direct Programs:</u>			
Title IV 92-138 Indian Education (fiscal year 2008)	84.006	Not Applicable	9,500
Title IV 92-138 Indian Education (fiscal year 2009)	84.006	Not Applicable	46,711
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Title One Distribution (fiscal year 2008)	84.010	305-077-8-0172-I	39,922
Title One Distribution (fiscal year 2009)	84.010	305-158-9-0172-J	168,827
<i>Special Education Cluster:</i>			
SPED 94-142 Allocation (fiscal year 2008)	84.027	240-284-8-0172-I	117,428
SPED 94-142 Allocation (fiscal year 2009)	84.027	240-244-9-0172-J	329,169
SPED Program Improvement (fiscal year 2009)	84.027	274-142-9-0172-J	6,433
Special Assistance and Mentoring (fiscal year 2008)	84.027	256-043-8-0172-I	2,250
<u>Passed through the State Department of Early Education and Care:</u>			
<i>Special Education Cluster:</i>			
SPED Early Childhood Allocation (fiscal year 2009)	84.173	26209 MASHPEE PUBLIC SC	18,325
<u>Passed through the State Department of Elementary & Secondary Education:</u>			
Title V (fiscal year 2008)	84.151	302-155-8-0172-I	2,735
Safe and Drug-Free Schools (fiscal year 2008)	84.186	331-201-8-0172-I	5,322
Safe and Drug-Free Schools (fiscal year 2009)	84.186	331-182-9-0172-J	6,981
Enhanced Education through Technology (fiscal year 2008)	84.318	160-234-8-0172-I	2,609
Enhanced Education through Technology (fiscal year 2009)	84.318	160-231-9-0172-J	2,724
Teacher Quality (fiscal year 2008)	84.367	140-245-8-0172-I	2,301
Teacher Quality (fiscal year 2009)	84.367	140-119-9-0172-J	70,686
American Recovery and Reinvestment Act (ARRA) - State Fiscal Stabilization Fund (SFSF)	84.394	782-111-9-0172-J	<u>476,170</u>
Total U.S. Department of Education			<u>1,308,093</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/ Pass-Through Grantor/ Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
<u>Passed through the State Executive Office of Health and Human Services:</u>			
School-Based Medicaid Reimbursement Program	93.778	1951696	<u>99,694</u>
Total			\$ <u><u>1,584,755</u></u>

See notes to schedule of expenditures of federal awards.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Mashpee, Massachusetts and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - U.S. Department of Agriculture Programs

The amount reported for the Food Distribution Program represents non-monetary assistance and is reported in the schedule at the fair market value of the commodities received. The amounts reported for the School Breakfast Program and National School Lunch Program represent cash receipts from federal reimbursements.

Note 3 - U.S. Department of Health and Human Services Programs

The amount reported for the School-Based Medicaid Reimbursement Program represents federal cash receipts related to the Administrative Activity Claims.

A. Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Town of Mashpee, Massachusetts.
2. There were no significant deficiencies disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Town of Mashpee, Massachusetts, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency in internal control over major federal award programs disclosed during the audit is reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Town of Mashpee, Massachusetts expresses an unqualified opinion on all major federal award programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule on pages 10-11.
7. The programs tested as major programs were:

<u>Program Description</u>	<u>CFDA Number</u>
<i>Special Education Cluster:</i>	
SPED 94-142 Allocation	84.027
SPED Program Improvement	84.027
Special Assistance and Mentoring	84.027
SPED Early Childhood Allocation	84.173
 American Recovery and Reinvestment Act (ARRA) - State Fiscal Stabilization Fund (SFSF)	 84.394

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Town of Mashpee, Massachusetts did not qualify as a low-risk auditee.

B. Findings - Financial Statement Audit

None.

C. Findings and Questioned Costs – Major Federal Award Programs Audit**DEPARTMENT OF EDUCATION***Significant Deficiency in the Internal Control over Major Programs*

09-1 Special Education Cluster – CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2009

Condition and Criteria: The Town did not comply with the activities allowed or unallowed compliance requirements related to the program. Internal controls should be designed and implemented to ensure that the Town adheres to the compliance requirements of federal award programs as outlined in OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133), and OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments (OMB Circular A-87).

Cause: Procedures are not in place to adhere to all federal compliance requirements related to the program.

Effect: Noncompliance with the federal award program's requirements could occur and not be detected and corrected timely.

Auditors' Recommendation: Internal controls surrounding the federal award program must be implemented to adhere to all federal compliance requirements as prescribed in OMB Circulars A-87 and A-133.

Grantee Response: The School Business Office has created a Financial Procedures Manual and will adhere to the compliance requirements as prescribed in OMB Circular A-87 and A-133.

Noncompliance Related to Major Programs

09-2 Special Education Cluster – CFDA No.'s 84.027 and 84.173; Fiscal year ended June 30, 2009

Condition and Criteria: The Town paid invoices with the Special Education Cluster grant funds for expenses that were not allowable under the program.

Cause: Procedures are not in place to only charge allowable expenditures to the program and/or detect and correct errors timely.

Effect: The invoices charged to the program are subject to disallowance and, therefore, are considered questioned costs.

Questioned Costs: Questioned costs charged to the Special Education Cluster program totaled \$2,233.

Auditors' Recommendation: Procedures must be implemented to ensure that all transactions charged to the program are for allowable activities.

Grantee Response: The School Business Manager will implement a procedure that all purchases be reviewed and approved before any purchasing takes place on grant funds.

09-3 Special Education Cluster – CFDA No.’s 84.027 and 84.173; Fiscal year ended June 30, 2009

Condition and Criteria: Program management did not file all Requests for Funds (Form RF-1) in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds. This condition is a violation of the cash management requirements prescribed in OMB Circular A-133.

Cause: Policies and procedures are not in place to file all Form RF-1’s in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds.

Effect: Management is not in compliance with federal cash management requirements. The awarding agencies could limit or refuse grant awards.

Questioned Costs: There are no questioned costs related to this finding.

Auditors’ Recommendation: Procedures must be implemented to file all Form RF-1’s in a manner that would minimize the time elapsing between the receipt and the disbursement of grant funds.

Grantee Response: The School Business Manager will file all Requests for Funds monthly to avoid time lapsing between the receipt and disbursement of grant funds.

09-4 Special Education Cluster – CFDA No.’s 84.027 and 84.173; Fiscal year ended June 30, 2009

Condition and Criteria: The “Funds Expended” amounts reported on the Final Financial Reports (FR-1) submitted to the Massachusetts Department of Elementary and Secondary Education (DESE) included encumbrances. Only actual expenses paid should be reported on the FR-1’s. Encumbrances should be considered unobligated funds that need to be returned to the DESE and re-applied for in the subsequent grant period.

Cause: Policies and procedures are not in place to file the FR-1’s in accordance with DESE requirements.

Effect: Program management is not in compliance with reporting requirements. The awarding agencies could limit or refuse grant awards.

Questioned Costs: Questioned costs related to the encumbrances totaled \$6,273.

Auditors’ Recommendation: Procedures must be implemented to ensure that only actual expenses paid with grant funds are reported on FR-1’s. Encumbrances must be reported as unobligated funds and re-applied for in the subsequent grant year.

Grantee Response: The School Business Manager ensures that only actual expenses shall be reported on the Final Report going forward.

D. Summary of Prior Audit Findings**DEPARTMENT OF HEALTH AND HUMAN SERVICES***Finding*

08-1 School-Based Medicaid Reimbursement Program – CFDA No. 93.778; Fiscal year ended June 30, 2008

Condition: Two (2) of the thirty (7%) student files tested did not have documentation supporting the health-related services provided. As part of the Municipal Medicaid Agreement with the Commonwealth of Massachusetts Division of Medical Services, the Town of Mashpee is required to document all Special Education health-related services provided to the students who are included in the Direct Service claims submitted for reimbursement.

Current Status: This finding has been resolved.